

Charon J. Harris
Director - Policy Matters

EX PARTE OR LATE FILED



GTE Service Corporation

1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036-5801
202 463-5294
202 463-5239 fax

March 12, 1997

RECEIVED

MAR 12 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

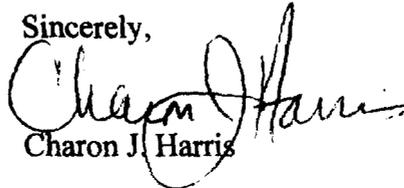
EX PARTE: Federal-State Joint Board on Universal Service (CC Docket No. 96-45)

Dear Mr. Caton:

Late yesterday, March 11, Professor Paul Milgrom of Stanford University sent the attached electronic message regarding the design of an auction for universal service support in the captioned docket to Elliot Maxwell, Greg Rosston, Evan Kwerel, Bill Sharkey, and Pat Degraba. In accordance with Section 1.1206(a)(1) of the Commission's Rules, an original and two copies of this notice are being filed with the Secretary of the FCC.

Please let me know if you have any questions.

Sincerely,


Charon J. Harris

Attachment

cc: P. Degraba
E. Kwerel
G. Rosston
E. Maxwell
W. Sharkey

No. of Copies rec'd 021
List ABCDE

To: <grosston@fcc.gov>, <ekwerel@fcc.gov>, <wsharkey@fcc.gov>, <emaxwell@fcc.gov>, <pdegraba@fcc.gov>, <jrw@crai.com>, <david_salant@lecg.com>, <dennis.weller@telops.gte.com>, <charris@dcoffice.gte.com>
From: Paul Milgrom <milgrom@stanford.edu>
Cc: <mcafee@undo.eco.utexas.edu>, <fbulow@GSB-Peso.Stanford.EDU>, <Barry_Nalebuff@quickmail.yale.edu>, <k-spier@nwu.edu>, <j-dana@nwu.edu>, <vsorana@leland.Stanford.EDU>, <VINCENT@sscl.uwo.ca>
Bcc:
Subject: Universal service auction
Attachment:
Date: 3/11/97 5:17 PM

Dear Colleagues:

David Salant has pointed out a significant typo to me. The denominator in the cost complementarity index was reported incorrectly in my previous e-memos. (It was reported correctly in the ex parte handouts reporting the detailed calculations.) The correct index formula is as follows:

$$I(A, B, X) = \frac{C(X \& A) + C(X \& B) - C(X \& A \& B) - C(X)}{C(X \& A \& B) - C(X)}$$

The numerator is the sum of the incremental costs of serving areas A and B minus the incremental cost of serving A&B together, with common terms canceled. The denominator is the incremental cost of serving A&B together. Thus, as reported, the index measures the percentage increase in incremental cost from failing to serve the adjacent CBGs together.

My apologies for the error.

Paul Milgrom